

# Regulation of the use of financial services such as credit cards and digital wallets for online gambling in Australia

A response to the Inquiry of the  
Parliamentary Joint Committee on  
Corporations and Financial Services

Prepared by:  
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Authorised by:  
Tracy Adams, CEO, **yourtown**

## **yourtown** services

**yourtown** is a national organisation and registered charity that aims to tackle the issues affecting the lives of children and young people. Established in 1961, **yourtown's** mission is to enable young people, especially those who are marginalised and without voice, to improve their life outcomes.

**yourtown** provides a range of face-to-face and virtual services to children, young people and families seeking support. These services include:

- Kids Helpline, a national free 24/7 telephone and on-line counselling and support service for 5 to 25 year olds with special capacity for young people with mental health issues
- Employment and educational programs and social enterprises, which support young people to re-engage with education and/or employment, including programs specifically developed for those in long term unemployment
- Accommodation responses to young parents with children who are at risk and to women and children seeking refuge from domestic and family violence
- Young Parent Programs offering case work, individual and group work support and child development programs for young parents and their children
- Parentline, a telephone and online counselling and support service for parents and carers
- Mental health service/s for children aged 0-11 years old, and their families, with moderate mental health needs
- Expressive Therapy interventions for young children and infants who have experienced trauma and abuse or been exposed to violence.

**yourtown** is constituted as a Public Company Limited by Guarantee. Our organisation is currently one of the largest charitable youth services throughout Australia, employing over 700 staff across four states. We currently have 50 services in 36 locations across Queensland, New South Wales, South Australia and Tasmania in areas of high socio-economic disadvantage.

**yourtown** has a significant fundraising program, that includes the conduct of charitable art unions. In the 2020-21 financial year, the income projected to be derived from community support through **yourtown** art unions is \$80.9 million. This places **yourtown** within the top 2,000 charities which collectively gather 79% of all charitable income. Our fundraising via charitable art unions cover in excess of 60% of our costs of delivering services, with the remainder derived from government fee for service contracts and grants. Consequently, our charitable fundraising program enables us to deliver quality and effective services in areas where government funding has been traditionally limited, or supplements government funding, as well as funding independent, innovative services.

**yourtown** welcomes the work that the Parliamentary Joint Committee on Corporations and Financial Services is undertaking regarding the use of financial services such as credit cards and digital wallets for online gambling in Australia.

**yourtown** recognises the importance of the inquiry in seeking to enforce bans on the use of credit cards in online gambling by amending the *Interactive Gambling Act 2001* (IGA) as part of an overarching strategy to address problematic and harmful gambling behaviour.

**Recommendation:**

Any legislative amendments should expressly exclude Art Unions and charitable lotteries run by not-for-profit organisations to ensure these fundraising activities are not inadvertently captured by such reforms.

While this inquiry appears to have derived from concerns as to whether gambling legislation should be brought into line with prohibited use of credit cards in casinos and gaming lounges, it risks scope creep which may inadvertently impact fundraising activities undertaken by charities and not-for-profit organisations, if they are not expressly excluded from the IGA's remit. Without legislation expressly *protecting charitable lotteries* (for example, Art Unions) there is significant risk that regulation of the use of credit cards may capture fundraising through Art Unions and equivalent fundraising by charitable and not-for-profit organisations, and impact the sustainability of these charities, and the essential services they provide.

Art Unions form a critical part of the economic fabric of Australian society by being a source of income for many not-for-profit organisations, such as charities, sporting clubs, and social clubs. They enable funding of essential services to vulnerable groups of people where no, or limited public funding is available. Art Unions are generally defined as lotteries where the winner is chosen through a ticket draw, with a set minimum amount of the gross proceeds being required to be paid to the non-profit organisation.<sup>1</sup> They are run by a variety of different charitable and not-for-profit organisations including **yourtown**, the Retired Services League, Mater Hospital, Surf Lifesaving, MS Society, Deaf Society and Endeavour Foundation, and are regulated by state and territory legislation.

Art Unions also form part of the social fabric of Australian society as a popular fundraising mechanism. The popularity of Art Unions in Australia is shown by the high number of luxury prize home Art Unions and the longevity and durability of these Art Unions through

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<sup>1</sup> See for example NSW Fair trading rules <https://www.fairtrading.nsw.gov.au/community-gaming/art-unions>. Depending on the State or Territory and a set percentage may need to be returned to charity (e.g. 30% in NSW). **yourtown** Art Unions fall under the Category 3 'Game' where the prize pool is substantial (e.g. at least \$30,000 in NSW and \$50,000 in Queensland).

economic crises such COVID-19 and the 2008 Global Financial Crisis. Further, it may be that while Australia's housing affordability crisis persists, the enduring success of Art Unions with luxury prize homes are also inextricably tied to the Australian dream of 'owning your own' home.

**yourtown's** Art Union is critical to **yourtown's** ability to deliver services to disadvantaged young people in Australia. We deliver innovative programs and services to young people throughout Australia where government funding is limited, or not available. As one of the largest charitable youth services in Australia with 50 services in 36 locations across Queensland, New South Wales, South Australia and Tasmania, **yourtown's** fundraising through the Art Union, donations and corporate giving enables it to self-fund services and programs in areas of high socio-economic disadvantage. Currently, this includes a domestic violence refuge, and accommodation for young parents at risk, young parent programs, and supplementing government funding to deliver Kids Helpline, and employment services to disadvantaged youth.

Art unions or charitable lotteries are different from gambling services targeted by these proposed reforms. Gambling is traditionally considered an activity where people risk money or belongings to win a prize, and there is an element of chance involved.<sup>2</sup> Most people who gamble do not have a problem, but some people can become compulsive gamblers at some point in their life, where they lose control of their betting and it negatively impacts their life.<sup>3</sup> The Australian Tax Office and Gambling Helpline<sup>2</sup> both classify lotteries as a gambling activity, along with raffles, casino gambling, sports betting and gaming machines. Harmful gambling generally involves gambling activities that enable instant gratification where a person chooses the small and immediate reward, rather than the potentially larger reward at a later time. Further, problematic gambling generally involves compulsive gambling where a person acts on impulse and continually chases bets that lead to losses, deplete savings, accumulate debt, or lead to criminal activities to support a person's addiction. Research regarding problem gambling primarily relates to betting in offline and online environments.<sup>4</sup> Such behaviour is generally associated with a tendency to take risks, and the personal inability to delay gratification. Art Unions or charitable lotteries on the other hand, involve delayed gratification and are less likely to attract problem gamblers seeking immediate gratification, the thrill of risk taking, or quick returns, and are generally regarded as low risk activities.

*Significant Risk: Legislative reforms could inadvertently include Art Unions and significantly impact their viability*

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<sup>2</sup> <https://www.gamblinghelponline.org.au/understanding-gambling/what-is-gambling>

<sup>3</sup> <https://www.healthdirect.gov.au/gambling-addiction>

<sup>4</sup> For example BETA and DSS (2020). Applying behavioural insights to online wagering <https://behaviouraleconomics.pmc.gov.au/projects/applying-behavioural-insights-online-wagering>

There are significant risks that legislative reforms could inadvertently capture Art Unions and charitable lotteries in Australia (currently regulated by State and Territory legislation) in the same way that recent UK legislation banning credit cards has captured large society lotteries in the UK.<sup>5</sup> UK society lotteries are lotteries promoted for the benefit of a non-commercial society, and are similar to Art Unions in that they must be for charitable purposes, or the purpose of enabling participation in, or supporting sport, athletics or a cultural activity. In the UK, society lotteries provide invaluable funding for charities and local causes.

From 14 April 2020, new gambling laws came into operation in the UK banning credit cards from being used to pay for gambling online.<sup>6</sup> Despite strong opposition, this legislation captured the operation of society lotteries. The ban was applied to all types of remote lottery licences and payment methods, so that credit card payments for lotteries could no longer be accepted online, on the phone, or other electronic means. However, postal and face-to-face payments by credit card remained permissible. However, it is important to note that the consultation found that many society lotteries operated charity shops or could use other retail premises to facilitate the sale of face-to-face tickets and thereby work around the credit card restrictions.<sup>7</sup>

The Gambling Commission's consultation noted that all of the society lottery operators consulted were against a ban on lottery payments for society lotteries. The consultation found that only approximately 3% of transactions to buy lottery tickets came from credit cards.<sup>8</sup> They also found society lotteries represented lower risk in terms of gambling-related harm. Despite this, the UK Gambling Commission proceeded with including society lotteries within their credit card ban.

If equivalent legislation were passed in Australia, it would have a devastating impact upon the operation of Art Unions or charitable lotteries. **yourtown**, like other Art Unions in Australia, relies heavily on the use of credit cards for draw-based lotteries as well as its regular fundraising subscription service where members are automatically entered in member-only draws. In the 2020-21 financial year, **79%** of fundraising transactions came from credit cards. **This is significantly greater than the 3% of transactions impacted in the UK.**

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<sup>5</sup><https://www.gamblingcommission.gov.uk/news-action-and-statistics/News/guidance-for-society-lotteries-and-external-lottery-managers-on-the-credit-card-ban-and-gamstop>

<sup>6</sup><https://www.gamblingcommission.gov.uk/news-action-and-statistics/News/guidance-for-society-lotteries-and-external-lottery-managers-on-the-credit-card-ban-and-gamstop>

<sup>7</sup> 3.48 <https://www.gamblingcommission.gov.uk/for-gambling-businesses/Compliance/consultation-responses-2020/Changes-to-licence-conditions-and-codes-of-practice-on-the-use-of-credit-cards-for-gambling.aspx>

<sup>8</sup> See 3.37 <https://www.gamblingcommission.gov.uk/for-gambling-businesses/Compliance/consultation-responses-2020/Changes-to-licence-conditions-and-codes-of-practice-on-the-use-of-credit-cards-for-gambling.aspx>

Further, the risks of harm associated with using credit cards to purchase Art Union tickets is incredibly low, as affirmed by the UK Gambling Commission's own findings regarding Society Lotteries. A key reason why people buy tickets in **yourtown** charitable lotteries is to help raise funds for vital services to support children, young people and families in need.<sup>9</sup> Without the ease of credit card payments, **yourtown's** fundraising capabilities would suffer significantly.

Further, in contrast to the UK context where door to door, or face-to face payment of lotteries or by post using credit cards were identified as feasible alternatives, this would not translate to the Australian context given our broad geographic distances and significant differences in urban design, as well as lack of charity shop fronts or retailers to facilitate face to face credit transactions, particularly for organisations like **yourtown**. Only a full exclusion of Art Unions and equivalent charitable lotteries from the credit card ban would be appropriate for the Australian context.

We thank you for the opportunity to provide a submission to the Inquiry, and welcome any additional questions or requests for further information. However, **yourtown** strongly advises that any resulting legislative reforms must be designed specifically to reflect the Australian context and should not mirror those implemented in the UK. Art Unions and charitable lotteries run by not-for-profit organisations for the purpose of fundraising should be expressly excluded from any credit card ban under the IGA, enabling them to remain unmistakably outside the remit of Commonwealth regulation of interactive gambling services and any resulting credit card bans.

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<sup>9</sup> See yourtown's website at <https://www.yourtown.com.au/>